

# Platte Institute for Economic Research

August 8, 2012

## Lowering Vehicle Fees

→ Yes!

It is widely acknowledged Nebraska is an inexpensive place to live, with a cost of living far below the national average. Of cities with over 200,000 people, Omaha has the fourth lowest cost of living in the country, and Lincoln's is 7 percent lower than the national average.<sup>[1]</sup> Yet some of this good news is countered by high fees and taxes we pay to register our cars.

Nebraskans pay three different fees and taxes when they register vehicles: a motor vehicle tax, a motor vehicle fee, and a registration fee.<sup>[2]</sup> The rates for these taxes are set by the state and are uniform across counties and municipalities, with revenues collected by the county treasurer and divided among the local entities; a few localities also collect additional taxes and fees.<sup>[3]</sup> The motor vehicle tax is assessed at the initial time of registration and every year after that until the vehicle is 14 years old or more. The assessment is based upon the Manufacturer's Suggested Retail Price (MSRP), with the base tax rates dependent on the vehicle's value when new.<sup>[4]</sup> Cars, trucks, trailers, and other miscellaneous vehicles all have different rates and calculations.<sup>[5]</sup> The motor vehicle fee is similarly calculated based upon the vehicle's value and age, but it also takes weight and use into account.<sup>[6]</sup> The registration fee differs depending on the type of vehicle. Passenger vehicles pay a flat \$15 fee and for hire vehicles pay a \$6 fee plus \$4 for every person the vehicle could hold.<sup>[7]</sup> Commercial vehicle fees are based upon gross weight, with those weighing three tons or less only paying an \$18 fee while those weighing seven tons or more paying \$85 plus \$25 for each additional ton.<sup>[8]</sup> However, if the commercial vehicle is used for transporting agricultural products then the total fee is reduced by ten percent.<sup>[9]</sup>

This combination of taxes and fees means Nebraskans-both private citizens and businesses-pay a lot to register vehicles. A 2011 study by the Idaho Transportation Department calculated that Nebraska had the seventh highest registration fees in the nation.<sup>[10]</sup> Of the neighboring states, only Missouri had higher fees and taxes.<sup>[11]</sup> The study-which used a 2007 Toyota Camry with an MSRP of \$22,140 and a weight of 3285

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lbs. as its point of reference-calculated that a Nebraskan registering such a vehicle would pay \$306.10 in registration fees and taxes alone.<sup>[12]</sup> When personal property, ad valorem, and fuel taxes are added, the amount jumps to \$469.90.<sup>[13]</sup>

Here is a list of Nebraska's taxes and fees compared to our neighboring states and the national average based on the Idaho study:<sup>[14]</sup>

Nebraska: \$306.10

Iowa: \$198

South Dakota: \$61

Missouri: \$426.75

Kansas: \$193.18

Colorado: \$156.53

Wyoming: \$147.84

U.S. average: \$184.02

High registration fees and taxes provide an incentive for people to skirt the law and register their cars in other states. In 2008, the Nebraska State Patrol estimated that up to 14,000 individuals registered their vehicles in South Dakota and Iowa, costing the state an estimated \$11 million annually.<sup>[15]</sup> The extent of this evasion indicates that these taxes and fees are out of balance and must be lowered.

One way to lower these rates while remaining relatively revenue neutral would be to eliminate the discrepancies between farm and non-farm trucks. Currently, trucks used for agricultural use get large discounts not available to other non-farm commercial and private trucks, including the ten percent discount for commercial trucks transporting farm products.<sup>[16]</sup> Non-farm trucks have a fee range of \$18 for 3 tons or less to \$1,140 for 47 tons or more, but farm trucks have a much smaller range of \$18 for 5 tons or less and only \$335 tons for 47 tons or more. The Federal Highway Administration calculated in 2008 that, in Nebraska, the average fee for a single-unit non-farm truck was \$138, while the average fee for a single-unit farm truck was \$24.50, a mere 17.8 percent of the price paid by non-farm truck owners.<sup>[17]</sup> When one considers that 27.4 percent of all trucks and 19 percent of all trailers registered in

Nebraska in 2011 were registered as farm vehicles, it becomes clear that the rate difference account for a significant amount of revenue.<sup>[18]</sup>

These rate discounts began in 1933 to help farmers deal with the twin crises of the Dust Bowl and Great Depression, which had substantially reduced the value of farm land and crops.<sup>[19]</sup> However, farmers no longer suffer from these deprivations, and data from the 2010 Census indicates that average farm household income is 25 percent higher than their non-farm counterparts.<sup>[20]</sup> As such, it is questionable whether these exceptions are still necessary, especially since no other industry receives these benefits, giving agriculture an advantage and resulting in non-farm drivers absorbing the difference through higher taxes and fees. Equalizing fees would lower fees and taxes for the vast majority of Nebraskans, and should at the very least be reviewed.

Another way to provide lower fees would simply be for the entities receiving money from the registration fees to decrease spending. Revenue from the motor vehicle tax and fee is distributed between the county, municipality, and local school system.<sup>[21]</sup> Less spending by these entities would allow for lower fees and save taxpayers an immense amount of money.

Lowering vehicle registration taxes and fees would benefit Nebraskans at the individual, business, and governmental level. At the individual and business level, lowering these taxes and fees would allow individuals and businesses to keep more of their own money, which could then create a multiplier effect as that money is saved, invested, or spent elsewhere. At the governmental level, lowering fees and rates would end some of out-of-state registration caused by high fees and actually bring money back to Nebraska.

<sup>[1]</sup>

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<http://www.areavibes.com/lincoln-ne/cost-of-living/>, accessed July 24, 2012.

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[6]

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[7]



Nebraska Revised Statute 60-3, 143. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3.143>, accessed July 26, 2012.

[8]

Nebraska Revised Statute 60-3, 147. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3.147>, accessed July 26, 2012.

[9]

Nebraska Revised Statute 60-3, 147. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3.147>, accessed July 26, 2012.

[10]

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[11]

Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison of Annual Motor Vehicle Operating Costs 2011.pdf>, accessed July 26, 2012.

[12]

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**Vehicle Registration Fees and Fuel Taxes 2011,"** October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison of Annual Motor Vehicle Operating Costs 2011.pdf>, accessed July 26, 2012.

[14]

**Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011,"** October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison of Annual Motor Vehicle Operating Costs 2011.pdf>, accessed July 26, 2012. National average based off of author's calculations.

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**Clarence Mabin, "Patrol: Up to 14,000 drivers have registered cars out of state,"** Lincoln Journal Star, April 15, 2008. Available at [http://journalstar.com/news/local/article\\_404982ff-4f0c-587b-ba84-229ec2850124.html](http://journalstar.com/news/local/article_404982ff-4f0c-587b-ba84-229ec2850124.html), accessed July 26, 2012.

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**[\[20\]](#)**

**Tad Dehaven and Chris Edwards, "Will the House Block the Farm Bill Pig-Out?" Cato Institute, June 18, 2012. Available at <http://www.cato.org/publications/commentary/will-house-block-farm-bill-pigout>, accessed August 6, 2012.**

**[\[21\]](#)**

**Nebraska Department of Motor Vehicles, "Registration Fees and Taxes," April 18, 2012. Available at [http://www.dmv.ne.gov/dvr/mvreg/fees\\_taxes.html](http://www.dmv.ne.gov/dvr/mvreg/fees_taxes.html), accessed July 27, 2012.**

Posted by: Jordan Cash

Total Comment(s): [0 Comment](#) | [Permalink](#)

# DEPARTMENT NUMBERS

## Michigan Household Income

According to the [Census ACS](#) 1-year survey, the median household income for Michigan was \$45,981 in 2011, the latest figures available. Compared to the [median US household income](#), Michigan median household income is \$4,521 lower. 2012 Census ACS data (including 2012 Michigan household income numbers) will be released in September of 2013. [Michigan median family income](#) and [per capita income for Michigan](#) are shown further down.

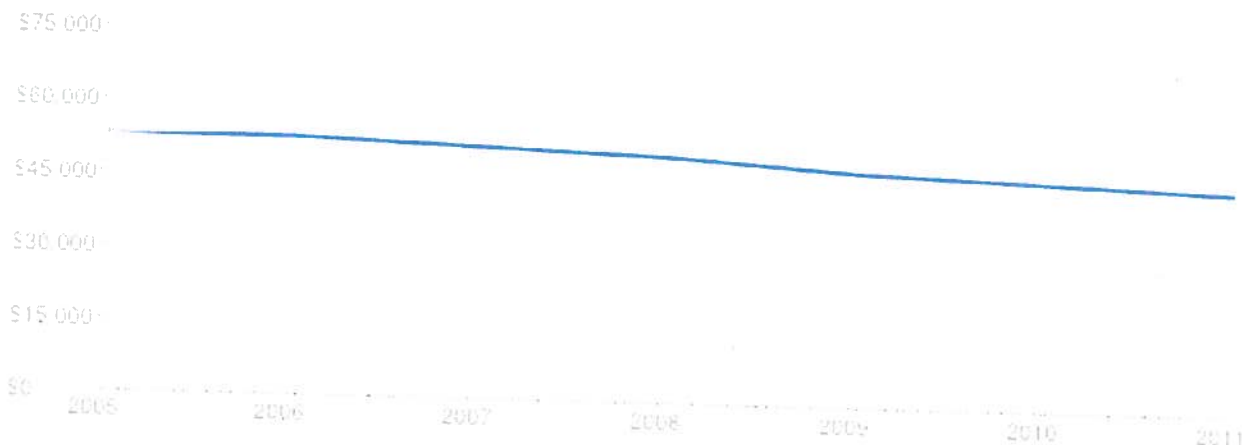
### Real Median Household Income in Michigan

	2011	1 Year Change	3 Year Change
US	\$50,502	-2.18%	-7.08%
Michigan	\$45,981	-1.85%	-9.41%

### Michigan Real Median Household Income Trends since 2007

The real median household income for Michigan peaked in 2005 at \$53,040 and is now \$7,059 (13.31%) lower.

#### Real Median Household Income: Michigan, National



### Historical Real Median Household Income for Michigan

Date	US	Michigan
2011	\$50,502	\$45,981

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2010	\$51,625	\$46,846
2009	\$52,660	\$47,453
2008	\$54,349	\$50,758
2007	\$55,039	\$52,013
2006	\$54,047	\$52,632
2005	\$53,274	\$53,040

## Michigan Family Income

The ACS 1-year survey shows that **the median family income for Michigan was \$58,068 in 2011**. Compared to the [median US family income](#), Michigan median family income is \$3,387 lower. Like the median household income numbers, 2012 family income data will be released in September of 2013.

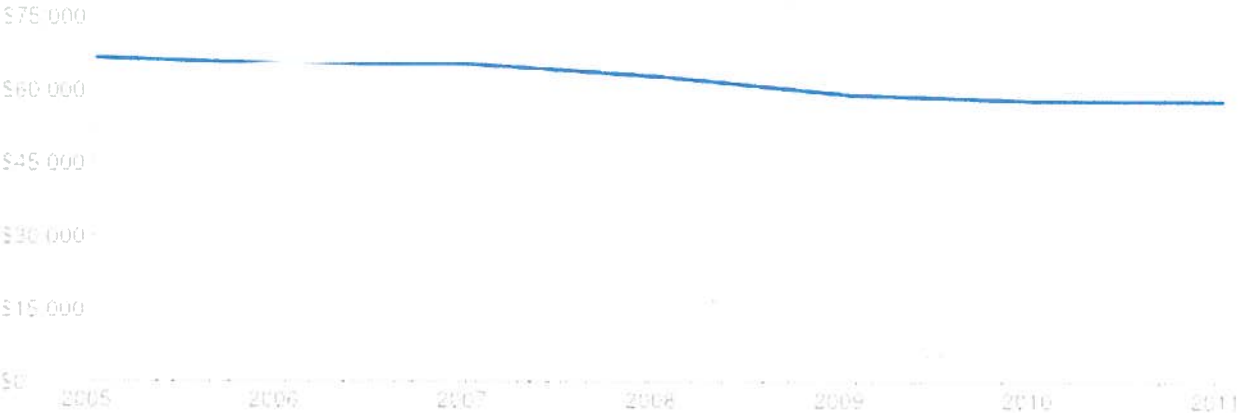
### Real Median Family Income in Michigan

	2011	1 Year Change	3 Year Change
US	\$61,455	-1.71%	-7.16%
Michigan	\$58,068	+0.34%	-8.29%

## Michigan Real Median Family Income Trends since 2007

The real median household income for Michigan peaked in 2005 at \$65,987 and is now \$7,919 (12.00%) lower. From a post peak low of \$57,871 in 2010, real median household income for Michigan has now grown by \$197 (0.34%).

### Real Median Family Income: Michigan, National



## Historical Real Median Family Income for Michigan

Date	US	Michigan
2011	\$61,455	\$58,068
2010	\$62,522	\$57,871
2009	\$64,049	\$59,434
2008	\$66,192	\$63,318

2007	\$66,356	\$64,669
2006	\$65,286	\$64,695
2005	\$64,323	\$65,987

## Michigan Per Capita Income

The ACS survey shows the median per capita income for Michigan was **\$24,409 in 2011**. Compared to the [US per capita income](#), Michigan per capita income is \$2,299 lower. Per-capita income numbers for 2012 will be released in September of 2013.

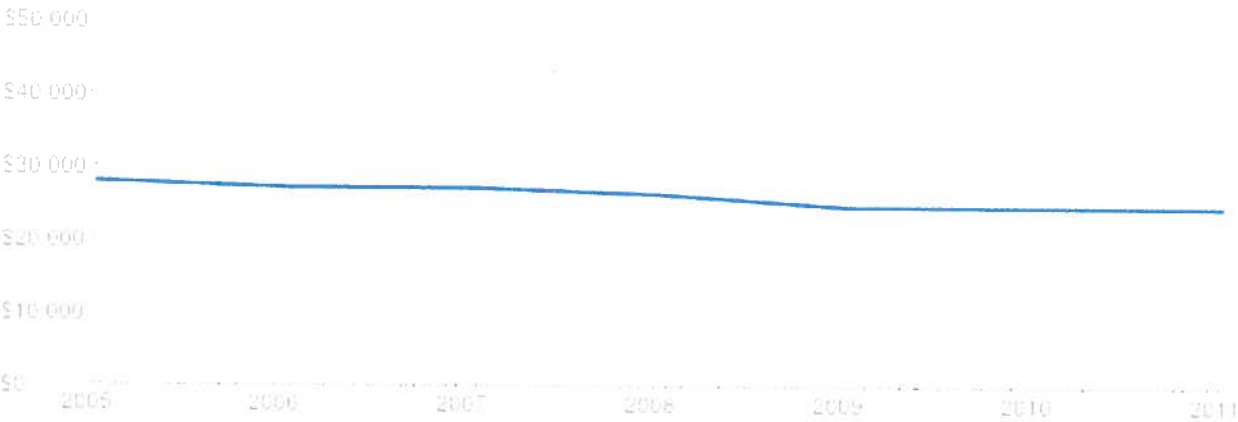
### Real Per Capita Income in Michigan

	2011	1 Year Change	3 Year Change
US	\$26,708	-0.64%	-7.33%
Michigan	\$24,409	+0.17%	-7.65%

## Michigan Real Per Capita Income Trends since 2007

The real median household income for Michigan peaked in 2005 at \$28,086 and is now \$3,677 (13.09%) lower. From a post peak low of \$24,367 in 2010, real median household income for Michigan has now grown by \$42 (0.17%).

### Real Per Capita Income: Michigan, National



## Historical Real Per Capita Income for Michigan

Date	US	Michigan
2011	\$26,708	\$24,409
2010	\$26,881	\$24,367
2009	\$27,692	\$24,881
2008	\$28,819	\$26,431
2007	\$28,949	\$26,919
2006	\$28,185	\$26,880
2005	\$28,842	\$28,086